

**NUTRYFARM INTERNATIONAL LIMITED**  
(Company Registration Number: 32308)  
(Incorporated in Bermuda)

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**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

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The Board of Directors (the “**Board**”) of NutryFarm International Limited (the “**Company**”), and together with its subsidiaries, refers to its announcement dated 14 May 2021 on the “Financial Statements and Related Announcement”, its announcement dated 9 March 2021 in relation to its response to queries raised by the Singapore Exchange Securities Trading Limited on 1 March 2021, and its announcement dated 3 August 2021 in relation to its response to queries raised by the Singapore Exchange Securities Trading Limited on 21 July 2021 and 29 July 2021 (the “**Announcements**”). Capitalised terms not otherwise defined herein shall have the meanings respectively ascribed to them in the Announcements. In this regard, the Board would like to respond to the following further queries raised by the Singapore Exchange Securities Trading Limited on 6 August 2021 (the “**SGX Queries**” and each an “**SGX Query**”) as follows:

**SGX Query 1.**

Please state the Group’s shareholding in NutryFarm (Chengdu) Biomedicine Ltd (“**NFC**”). Please provide NFC’s contributions to the Group’s revenue, gross profits, net profits (in absolute and percentage terms) for the past 3 years.

**Company’s Response to SGX Query 1.**

The Group is the 100% shareholder of NFC over the last 3 years. NFC’s contribution to the Group’s revenue, gross profits, and net profits in for past three years are as follows:

NFC’s contribution	FY2018		FY2019		FY2020		1H ending March FY2021	
	HK\$’000	%	HK\$’000	%	HK\$’000	%	HK\$’000	%
Revenue	66,896	100%	44,042	100%	61,568	100%	27,699	49.78%
Gross profits	37,104	100%	17,921	100%	21,876	100%	10,409	81.02%
Net profits/(losses)	5,236	N/A <sup>(1)</sup>	(39,328)	42.18%	(14,914)	30.74%	3,954	N/A <sup>(2)</sup>

Note 1: in FY2018, NFC’s net profits were HK\$5,236,000 and the Group’s net losses were HK\$8,280,000.

Note 2: In 1H FY2021, NFC’s net profits were HK\$3,954,000 and the Group’s net losses were HK\$501,000.

**SGX Query 2.**

In relation to, “Advance to a related party of HK\$7.1 million is for NHT (names are abbreviated as this is commercially sensitive), which is 100% owned by a director of NFC. NFC has a trading relationship with NHT since 2018. Its business has grown over the years and in FY2020, NHT became the top 7th customer of NFC. NHT is the 2nd largest customer up to Q3 FY2021”, please provide the following:

- i. An explanation as to why would the name of a related party be considered commercially sensitive? Please identify the related party.

- ii. Identify the director of NFC holding 100% of NHT. Please provide a confirmation as to whether the named director has any connection (direct and indirect) with the Company's directors and its substantial shareholders;
- iii. The Board's confirmation as to whether the Group's transactions with NHT are considered as Interested Persons Transactions under Chapter 9 and the bases for such confirmation. If yes, please provide a Board's confirmation as to whether the Company is in compliance with Listing Rules 905 and 906 and details showing such compliance;
- iv. As stated in the Company's response that the NHT is the 2nd largest customer of NFC up to Q3 FY2021, please explain as to why the Group is providing an advance of HK\$7.1m to NHT, a customer of NFC? Please provide the Group's sales to NHT for each of the financial years from FY2018, FY2019 and FY2021 (year to date) in absolute terms as a percentage of the NFC's sales. What is the amounts owing from NHT to the Group as at 30 June 2021?
- v. What does the Group sell to NHT?
- vi. What is the background and rationale for the "Advance to a related party"?

**Company's Response to SGX Query 2.**

- i. The Group is concerned that if the name were disclosed, other customers may request for similar arrangements and/or whether the related party was getting competitive advantage when compared to them. Nevertheless, the related party's name is Nutryfarm Health Technology Co. Ltd.
- ii. Chen Yao Wen, a Chinese resident is the director of NFC. He has no connection (direct and indirect) with the Company's directors and its substantial shareholders.
- iii. As explained above in (ii), Mr Chen is not (a) a director, chief executive officer, or controlling shareholder of the Company; or (b) an associate of any such director, chief executive officer, or controlling shareholder, and is therefore not deemed an interested person of the Company under Rule 904. The Board confirms that it is in compliance with Rules 905 and Rule 906.
- iv. The sales of the Group to NHT are as detailed in the table below.

	FY2018		FY2019		FY2020		1H ending March 2021	
	HK'000	% of NFC sales	HK'000	% of NFC sales	HK'000	% of NFC sales	HK'000	% of NFC sales
NHT revenue with NFC	-	-	765	1.74%	2,391	3.88%	7,660	15.44%
Advances to NHT	-	-	1,162	-	8,924	-	7,094	-

The Group has yet to release its financials for quarter ending June 2021 and will update the details in the pending announcement.

- v. A whole range of products of more than 50 line items are sold to NHT, including:
  - 营养屋 R 辅酶 Q10 胶囊(NF)
  - 营养屋 R 纳豆红曲银杏叶胶囊(NF)
  - 营养屋 GOP 银杏叶三七山楂茶多酚胶囊(TY)

- 营养屋 R 蜂胶软胶囊(ND)
  - 营养屋 R 鱼油软胶囊(ND)
  - 营养屋 R 津玉袋泡茶
  - 营养屋 R 傲邦胶囊(ND)
  - 营养屋 R 番茄红素软胶囊(ND)
  - 营养屋 R 司尼可胶囊(ND)
  - 营养屋 R 乐而可咀嚼片(ND)
  - etc.
- vi. NHT is started by Mr Chen who wanted to resign from NFC as he wanted to start his own dealer business dealing with nutrition products. Considering that Mr Chen was instrumental to NFC's sales operations and has been with NFC for 16 years, the management of NFC counter-offered that NFC will support him in his initial set-up through working capital advancements provided that NFC be his exclusive supplier for products that NFC carries. This relationship binds Mr Chen but there is no restriction for NFC to sell to other competing dealers. This was subsequently endorsed by the Board of the Company.

**SGX Query 3.**

In relation to the response to (e) that, "The supplier has been supplying to the Company since 2018", please clarify who is the supplier.

**Company's Response to SGX Query 3.**

The supplier is Chengdu Kangqi Business and Trading Co. Ltd.

**SGX Query 4.**

Please provide a breakdown of the "advances to third parties and suppliers" by each third party and supplier, the background of the advances, when the advances are paid, how much of these advances have been used and description of the uses?

**Company's Response to SGX Query 4.**

The HK\$31,961,000 advances to third parties and suppliers mainly represented RMB26,810,000 advances to Chengdu Meili Tianyuan Agriculture Co. Ltd. ("MLTY") since 2018. MLTY is an associate of two of NFC's customers and maintains influence over the two customers. Due to the outbreak of COVID-19 since late 2019, MLTY has not repaid the advances yet but prior to end 2019, had been making some payments towards its reduction. NFC's dealings and relationship with the two customers which MLTY is an associate of, is ongoing. MLTY did not notify the Company how much of these advances have been used as well as the description of the uses. The remainder are suppliers of the Company, e.g. Chengdu Kangqi Business and Trading Co. Ltd.

**SGX Query 5.**

Please provide a description of the Group's internal control procedures for granting advances to third parties and suppliers including and not limited to review and approval controls and how the Group monitors the recovery of these advances.

**Company's Response to SGX Query 5.**

Based on the Company's existing internal processes, the management of the subsidiaries in question that extended the advances to the third parties and suppliers have the ability to review and approve such advances up to set limits based on the subsidiaries' revenue, operations and internal resources.

Amounts exceeding the limits will be escalated to the board of the subsidiaries and to the Board of the Company. Any amounts requiring cashflow or investment by group companies or the parent listed company will have to be approved by the Board of the Company.

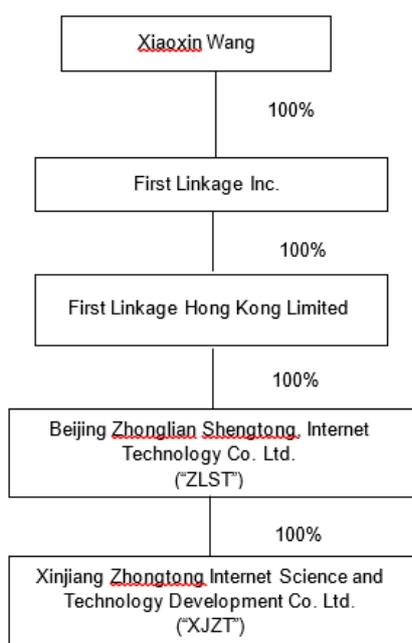
The Audit Committee had reviewed the advancements during the last financial year end and in consultation with the external auditors, reviewed the rationale and benefits of the advances (both tangible and intangible), assessed whether any recovery action was required and any required impairment of the advances. Factors that the Audit Committee considered included but not limited to whether there were ongoing trading relationships and the quantum of such trading transactions.

### **SGX Query 6.**

In relation to the Company's Response to SGX Query (c)(iii), please disclose the shareholding structure of Beijing Shengyuantong Technology Development Co. Ltd. ("SYT"), Beijing Zhonglian Shengtong, Internet Technology Co. Ltd. ("ZLST") and Xinjiang Zhongtong Internet Science and Technology Development Co. Ltd. ("XJZT").

### **Company's Response to SGX Query 6.**

To the best of the Company's knowledge, the shareholding structure of ZLST and XJZT as of 11 August 2021 is as follows:



As the Company no longer have any representation on SYT, the Company is unable to provide an update on the shareholding structure of SYT. Based on the Company's records, the last known shareholders of SYT were Xiaoxin Wang (99%) and Xiaotong Wang (1%).

### **SGX Query 7.**

Please provide a description of the business activities of each of SYT, ZLST and XJZT.

### **Company's Response to SGX Query 7.**

SYT is principally engaged in the provision of internet services including internet access and internet transit.

ZLST provides technical and other services to SYT, internet service providers and other internet-related customers, including, *inter alia*, providing presales technical planning, providing technical supervision and support during projects, and providing aftersales on-site inspection for projects, full-scope training and management consulting services, intellectual property licenses, technical support and consulting services.

XJZT provides technical support to SYT, internet service providers and other internet-related customers. Under the Telecommunications Regulations of the PRC (中华人民共和国电信条例), telecom services in the PRC are divided into (i) basic telecom services, which are the services of providing public network infrastructures, public data transmission, and basic voice communications services, and (ii) value-added telecom services, which are the services of providing telecom and information services through the utilisation of public network infrastructures.

**SGX Query 8.**

Which of SYT, ZLST and XJZT has the most significant operations and business activities?

**Company's Response to SGX Query 8.**

To the best of the Company's knowledge, SYT has the most significant operations and business activities.

**SGX Query 9.**

Noting that the amounts owing arose out of advances made to Xiaoxin Wang in anticipation of the Group's then proposed acquisition of 45% of First Linkage Inc., (an entity owned by Xiaoxin Wang) which was intended for the Group to undertake the business of SYT, what is the rationale for Mr Xu to resign from SYT but continues to be the legal representative of ZLST and XJZT. Please clarify the Company's belief on how this would give the Company some form of commercial leverage over Xiaoxin Wang.

**Company's Response to SGX Query 9.**

Mr Xu was appointed to be the legal representative of SYT, ZLST and XJZT pursuant to the proposed acquisition of 45% of First Linkage Inc.. As the transaction was rejected by SGX and the subsequent proposed acquisition of XJZT was also terminated, Mr Xu would have had to resign from all the companies. However, in light of the outstanding advancements, the Company had requested, and Xiaoxin Wang had agreed, for Mr Xu to remain as the legal representative of ZLST and XJZT. The Company believes that Mr Xu's continued presence as the legal representative of ZLST and XJZT provides a constant reminder to Xiaoxin Wang of his obligations for repayment of the prepayments and a communication platform for negotiations with Xiaoxin Wang.

**SGX Query 10.**

Please provide background information on New Star Education Limited ("NS") and Furong Corpbond II Ltd ("Furong"). Please provide the Board's confirmation as to whether each of NS or Furong and its directors and substantial shareholders have any connections (including any business relationship) with the Company, and its directors and substantial shareholders.

**Company's Response to SGX Query 10.**

New Star Education Limited is a company incorporated in the British Virgin Islands. It was originally held by Ms Ding Shanjunmei in 2017 and subsequently held by Mr Chen Bocheng in 2018. They were also the directors for the relevant periods. Both are Chinese nationals. There is no relationship (including any business relationship) between New Star Education Limited, its directors, chief executive

officer and shareholders with the Company and/or its directors, chief executive officer and controlling shareholders (or any of their associates).

Corpbond IV Pte Ltd is a privately held company incorporated in the British Virgin Islands. It is 100% held by Mr Niu Liming who is a Singapore resident and the only director of the company. There is no relationship (including any business relationship) between Corpbond IV Pte Ltd, its directors, chief executive officer and shareholders with the Company and/or its directors, chief executive officer and controlling shareholders (or any of their associates).

**BY ORDER OF THE BOARD**

**Cheng Meng**

Chief Executive Officer and Executive Director

11 August 2021